

SBP spreading market of Islamic Banking in Pakistan

By: Zamir Sheikh January 30, 2012



KARACHI - The deposits of Meezan Bank, which is a leading institution in Islamic banking, have increased from Rs131 billion to Rs170 billion and its branch network has moved from 222 to 275. The bank presence is now in 83 cities compared to 62 cities last year, said Muhammad Raza, Head of Consumer Banking & Marketing of Meezan Bank in an exclusive interview.

Muhammad Raza was confident that the bank will further grow next year.

When asked about the market share of overall Islamic Banking, he said the overall share is dependent upon market inclination towards Islamic Banking, which is increasing every year. Since the results of last year are being compiled therefore I can only give you the previous year's share which was up to 7.82 per cent. However, every year the share increases by 1 to 1.5pc and this is calculated out of the conventional banking, so if we consider banking as a pie then the share of Islamic Banking is increasing every year while the share of conventional banking is decreasing.

Meezan Bank previously has market share of above 50pc in the Islamic Banking, however, nowadays its shares move between 40 to 50pc because of the competition. The

results of the current year are being compiled as yet so we would consider the last year's figures in which we stood somewhere between 45 to 50pc.

As far as its growth is concerned, it has an average 30pc growth rate every year, which is way above the growth rate of conventional banking, he added.

Q: In your point of view what is the major reason of this shift towards Islamic Banking in Pakistan?

A- Pakistan being an Islamic Republic with Muslim population of 98pc has indeed a general notion that the people should adhere to Islamic principles. So when a customer knows that he/she can avail products, services and benefits of banking, in an Islamic way, the person will definitely move towards it. On the other hand we have customers who are indifferent about these principles such as the corporate giants who only care about good services, but even such customers have been inclining towards Islamic Banking in the past one or two years. Especially when we talk about Meezan Bank, we have top of the line customers such as, Unilever, PSO, SSGC, Nestle, etc. So now even these top notch customers can see that Islamic banking can also provide extensive and efficient services which were once not possible.

Q: Do you think the recent Global financial crisis has also contributed in the shift towards Islamic banking?

A: Yes, in the global perspective even the non-Muslim industry players have realised that if they had utilised "Ethical Banking" (which we term as Islamic Banking) they would have suffered fewer losses. So the tilt towards this sector is coming across and it is definitely beneficial for the global industrial sector.

He said the State Bank of Pakistan is also playing a major role in spreading the market of Islamic Banking in Pakistan and we salute their efforts. The conventional banks are also exploring the avenues in the Islamic sector due to the promotion of parallel banking by the State Bank in 2002. So unlike the concept which was introduced in 1970s when the customers were forcefully being pushed towards Islamic Banking, now the concept is effectively evolving when the customers have a free choice because more industry players are becoming visible.

Q: Which products and services are you offering in consumer finance?

A: Currently we have four products available in consumer finance. Our flagship product is car financing which we call "Car Ijarah", then we have House Finance product which is titled as "Easy Home". Two years back we introduced Haj and Umra financing known as "Labaik" and our most recent product is Laptop Financing "Laptop Ease". So in consumer financing we are among the top three market leaders which includes conventional banks as well.

Q: How do you charge the customers since you obviously do not indulge in interest rates?

Q: Our every product has a different mode. We give the car to a customer on Ijarah i.e. Ujrat, in which the bank purchases car as the owner and rents it to the customer, and when the term matures the customer can purchase it from us. So at the end we have to sell that car to the customer through a different agreement.

In our fourth product (Labaik) which is Haj and Umra financing we provide an upfront package and as well as instalments but the price or rate of both the packages remains the same, so it is a type of Qarz-e-Hasna. Therefore one product is based on Ijarah, second on Mushariqa, third on Mushawama (sale) and the fourth on Qarz-e-Hasna.